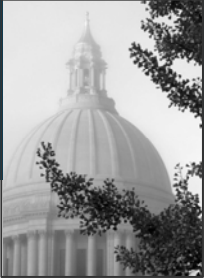# SmartBuying Partnership

General Administration (GA)
Department of Information Services (DIS)
Department of Printing (PRT)
Office of Financial Management (OFM)

Linda Villegas Bremer, Gary Robinson, Larry Weber, Victor Moore

Topics

- **Expected Results**
    - **What Will the SmartBuying Partnership Accomplish?**
    - **Leadership Team and Agency Specialists**
    - **Budget Proviso Summary**
    - **Initial SmartBuying Focus**

- **Actions**
    - **Progress**
    - **Contracts**
    - **Planned Reporting on Attaining $50 Million Target**

- **Challenges**

- **Questions?**

- **Context (Last Slides)**

What will the SmartBuying Partnership accomplish?

Expected Results

- Save $50 million in 2005-07 – budget reduction
- Reduce internal goods and services costs – not program services
- Create partnership to change goods and services buying culture

Purpose

- Achieve state government efficiencies through partnerships in the use of centralized services

Goals

- Continued, sustained savings in existing expenditures through change in buying culture and use of centralized services
- Stronger internal coordination and collaboration among central service agencies
- Leveraging best practices across all state agencies

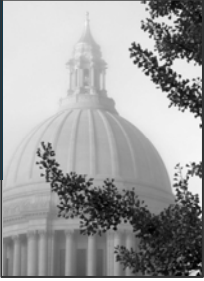# Who is leading the SmartBuying Partnership?

Governance: SmartBuying Leadership Team

- Linda Villegas Bremer - General Administration
- Victor Moore - Financial Management
- Gary Robinson - Information Services
- Larry Weber - Printing
- Mary Alice Grobins – Community and Technical Colleges
- Terry Teale – Council of Presidents
- Kathleen Brockman – Social and Health Services
- Denise Doty – Corrections
- Paula Hammond –Transportation
- Melanie Roberts – Labor and Industries

Agency Specialists on SmartBuying Teams
for Contract Specifications

- Attorney General
- Central Washington University
- Community and Technical Colleges
- Corrections
- Personnel
- Eastern Washington University
- Employment Security
- Evergreen State College
- Fish and Wildlife

- Health
- Labor and Industries
- Liquor Control Board
- Administrative Office of the Courts
- Social and Health Services
- Transportation
- University of Washington
- Washington State University

Why are we doing this?

Sec. 720   Strategic Purchasing Strategy

(1) The Office of Financial Management shall work with …state agencies to generate savings of $50,000,000, of which $25,000,000 shall be from the state general fund, …from a strategic purchasing strategy. *…(to)* **reduce general fund--state allotments by $8 million for fiscal year 2006 and by $17 million for fiscal year 2007…The allotment reductions shall be placed in unallotted status and remain unexpended.**

(2) General Administration shall conduct an analysis of the state's purchasing processes to identify the most reasonable strategy of attaining …savings…of $50,000,000 without affecting direct program activities. The analysis shall identify savings by agency …by October 1, 2005…

(3) Before the purchase of goods and services, all state agencies and higher education institutions shall first consider the utilization of current or existing master contracts… *(and they)* **shall strive to use master contracts when that use is consistent with the agency's requirements and purchase is financially cost-effective.**

- Reduce $50 million in 2005 - 2007 budget

- Place reductions in unallotted status

- Identify savings strategy by agency by October 1

- Create partnership to change buying practices and use of master contracts

What is the logic model behind SmartBuying?

Activities

- Create partnership agreements
- Lower negotiated prices
- Strategic managed spending
- Consolidated buying practices – cost effective

So that…

05-07 Reduction

Allocate $50 million by agency by fund by October 1.

So that…

Agencies can use new framework to make more efficient purchases. Sustained use of business practices and planning.

So that…

Agencies achieve continuous savings that can be applied to essential services.

Input

Immediate Outcome

Intermediate Outcome

Ultimate Outcome

Contract Opportunities

Budget Target Met

Change in Buying Practices for State as a Whole

Savings Applied to Essential Services for Citizens

What will SmartBuying focus on initially?

Agency opportunity through contracts & services
GA $37.9 million of $395 million
Information Technology
Professional Services =$23,250,000
Office Equipment = $3,000,000
Office Supplies = $9,650,000
Legal Data Services = $500,000
Fuel = $475,000
Leasing (Facilities) = $1,000,000

Agency opportunity through contracts & services
DIS $8.6 million of the $235 million
Telecom Equipment = $100,000
Computers & Tech. Hardware = $7,700,000
Microsoft Software = $750,000

Information Services
Total = $235 million

Printer Total = $68 million

General Administration Total = $395 million

Agency opportunity through contracts & services
Printing $970,000 of the $68 million
Color Copies = $300,000
Envelopes = $450,000
Print Management = $220,000

$698 Million

Opportunity Target

GA	$37.90 million
DIS	$8.60 million
Printer	$.97 million
TBD	$2.53 million
Total	$50.00 million

What contracts are completed now?

Contracts	Central Agency	Agency Opportunity	Status
Negotiate lower prices for Microsoft desktop software	DIS	$ 750,000	Contract in place
Negotiate better prices by standardizing personal computers, laptops, and servers	DIS	$ 7,700,000	Computer contracts in place
Reduce color copy prices in copy centers	Printer	$ 300,000	Contract in place
Reduce standard envelope prices	Printer	$ 450,000	Contract in place

What contracts are in process?

Contracts	Central Agency	Agency Opportunity	Status
Negotiate better contract for telecom equipment	DIS	$ 100,000	September 05
Renegotiate legal data services	GA	$ 500,000	September 05
Re-bid multiple fuel contracts	GA	$ 475,000	October 05
Consolidate office equipment contracts	GA	$ 3,000,000	November 05
Create Print Management contract **assessment** list to reduce print device cost	Printer	$ 220,000	Fall 2005
Renegotiate office supplies	GA	$ 9,650,000	December 05
Re-bid information technology professional services; replace multiple agency contracts with a new state level contract	GA	$ 23,250,000	December 05

What other actions are planned?

Analysis and Other Actions	Central Agency	Agency Opportunity	Status
Conduct state review - purchases of goods & all services	GA	To determine opportunity	Done
Expand Online Services - reduce print costs	Printer	Reduce costs	Ongoing
Establish teams of agency & higher ed users representing 65-80% of spending for each initial SmartBuying focus category	GA	Validate agency opportunity	Started May 2005
Organize & facilitate agency workgroups for creating better personal computer standards, and developing better info about future agency demand	DIS	Create new opportunities	Fall 2005
Negotiate additional pricing discounts on envelopes	Printer	Create new opportunities	Fall 2005

What other actions are planned?

| Analysis and Other Actions (continued)	Central Agency	Agency Opportunity	Status
Leasing (Facilities)	GA	$ 1,000,000	April 2006
Determine the amount of agency leased warehouse space	GA	Target reduction of 100,000 sq ft.	April 2006
Negotiate even better personal computer pricing by using information about future agency demand	DIS	Strategic, additional opportunities	Winter 2006
Identify additional SmartBuying projects	DIS, GA, Printer	New opportunities	Ongoing
Educate agencies about savings opportunities, and negotiate lower prices for them where possible	DIS, GA, Printer	Sustainable practices	Ongoing
Develop and implement savings tracking system for Dept. of Printing	Printer	Monitor Utilization	Internal system in place
Develop and implement savings tracking system for all agencies, all contracts	GA, DIS, Printer	Monitor Utilization	Started July 2005

A

How will the $50 million savings be tracked?

Sample

Analysis Commentary

- This report will track progress toward the $50 million by quarter

- This will show overall statewide participation

- Data will help isolate areas for improvement in attaining target

Potential versus Actual Savings (millions of dollars)
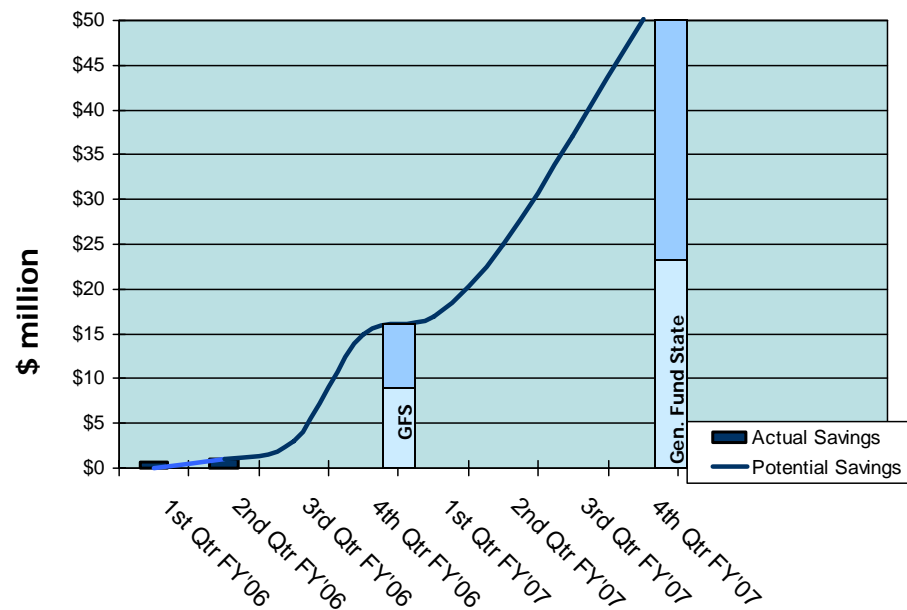
Sample

**Spending & Savings Tracking Summary: Office Supplies**
Reporting Period: July 1, 2006 – September 30, 2006
Cumulative Period: July 1, 2005 – To Date

Sample

	SPENDING			SAVINGS			Sample Analysis
	Reporting Period – Expected	Reporting Period – Actual	Cumulative Biennium – Actual	Reporting Period - Expected	Reporting Period – Actual	Cumulative FY06 - Actual	
College A	$1,000,000	$750,000	$2,250,000	$100,000	$75,000	$300,000	Difference represents agencies not using contracts
Agency B	$10,000,000	$9,500,000	$26,000,000	$1,400,000	$925,000	$1,950,000	
Total	**$11,000,000**	**$10,250,000**	**$28,250,000**	**$1,500,000**	**$1,000,000**	**$2,250,000**	

Potential versus Actual Savings (millions of dollars)
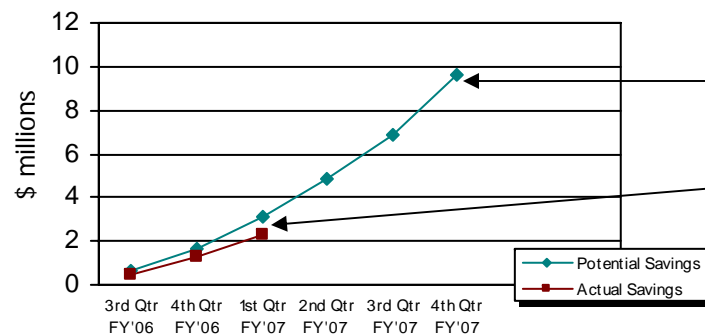
$57.0M	**Statewide baseline spending**
$9.65M	**Potential savings for biennium**
$2.25M	**Actual savings to date Cumulative FY06 – Actual (above)**
$3.15M	**Potential savings to date**
$-0.9 M	**Difference from plan**

Data	Vendors
Challenges: Data is in multiple systems, e.g., financial Data available in manual systems **Actions:** Create compatible data – map action Develop repeatable process for collecting data Different agencies for common solutions	**Challenges:** Change in established working relationships Implications for small businesses **Actions:** Conduct forums for small businesses Provide single point of contact on bids
Agencies & Higher Education	**SmartBuying Change in Culture**
Challenges: Sustained commitment Labor-intensive data collection Academic requirements different than administrative Capturing savings WITHIN the agency 1 to 2% of Higher Ed purchases directed at Correctional Industries **Actions:** Engage teams and execute communication plan Commit to partnership Agencies establish methods for continuous savings	**Challenges:** Maintain momentum beyond 05-07 Standard measurement Accurate, timely reporting Keep focus on efficiencies **Actions:** Training for procurement officers in agencies Agencies working together across the state
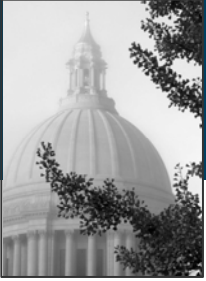
Context

- **What best practices are already in place?**

- **What is the integrated project timeline?**

- **How did we drill down on state spending to zoom in on high return opportunities?**

What best practices are already in place?

Transportation's (WSDOT) use of purchasing card program
- 03-05 incentive rebates of over $110,000
- Streamlined order and payment process for over 112,000 small purchases
- Accelerated payments to suppliers
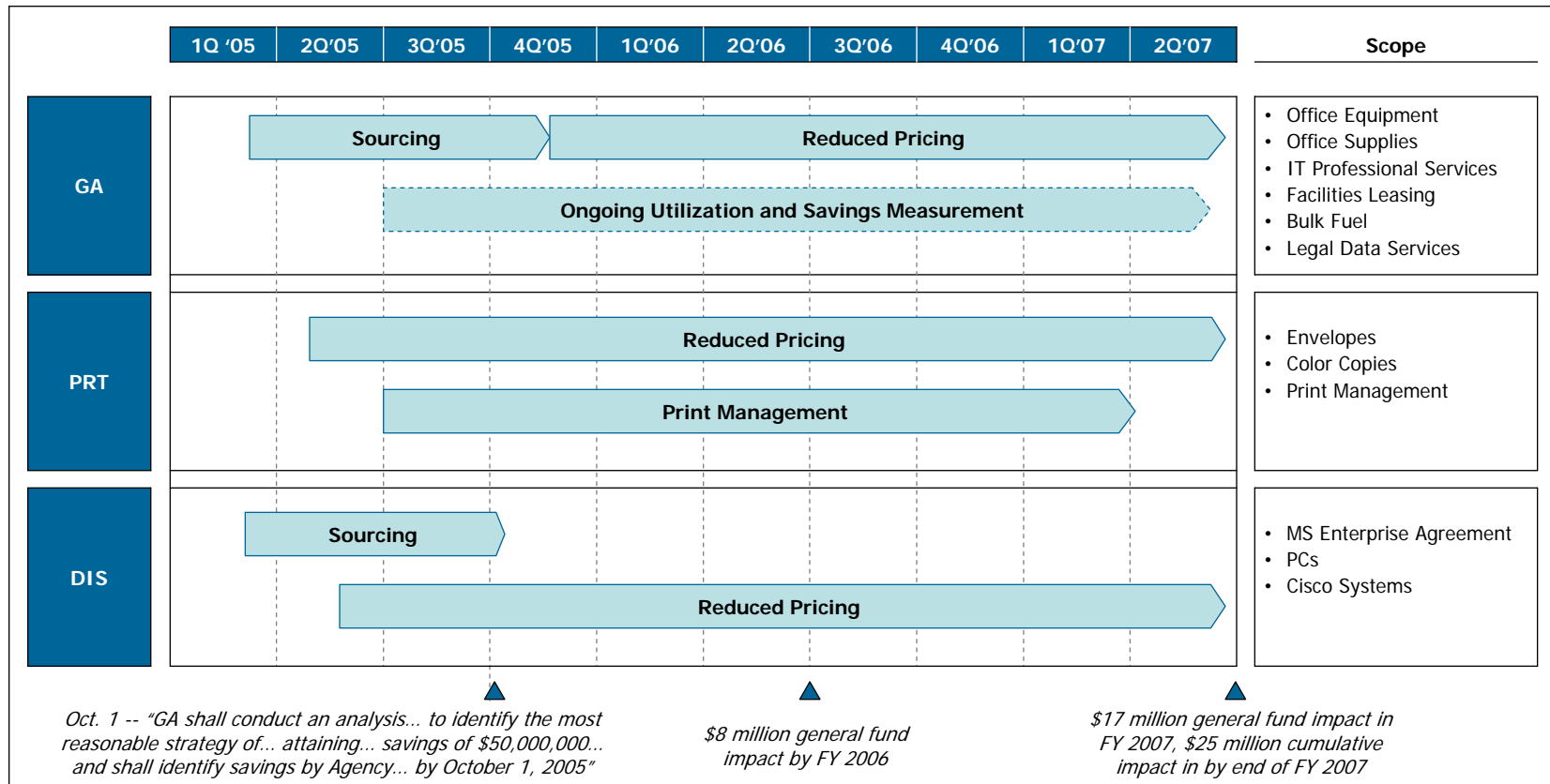- Improved visibility and control of small purchase spending

Centralized GA Contracts – Used by Agencies
- Public Safety Communication Equipment Contract with 03-05 savings of $5.5million; viewed nationally as a best practice
- Vehicle Acquisition Team with 03-05 savings of $1.3 million; online ordering
- Western States Contracting Alliance multi-state contract; national best practice

05-07 Biennial Project Timeline

	1Q '05	2Q'05	3Q'05	4Q'05	1Q'06	2Q'06	3Q'06	4Q'06	1Q'07	2Q'07	Scope

GA
- Sourcing
- Reduced Pricing
- Ongoing Utilization and Savings Measurement

Scope:
- Office Equipment
- Office Supplies
- IT Professional Services
- Facilities Leasing
- Bulk Fuel
- Legal Data Services

PRT
- Reduced Pricing
- Print Management

Scope:
- Envelopes
- Color Copies
- Print Management

DIS
- Sourcing
- Reduced Pricing

Scope:
- MS Enterprise Agreement
- PCs
- Cisco Systems

Oct. 1 -- "GA shall conduct an analysis... to identify the most reasonable strategy of... attaining... savings of $50,000,000... and shall identify savings by Agency... by October 1, 2005"

$8 million general fund impact by FY 2006

$17 million general fund impact in FY 2007, $25 million cumulative impact in by end of FY 2007

How did we arrive at the $50 million target?

$24 billion

$7.6 billion

$698 million

$50 million

**State Goods and All Services
2003-05
Operating Budget**

**SmartBuying
Focus**

**Initial
SmartBuying
Categories**
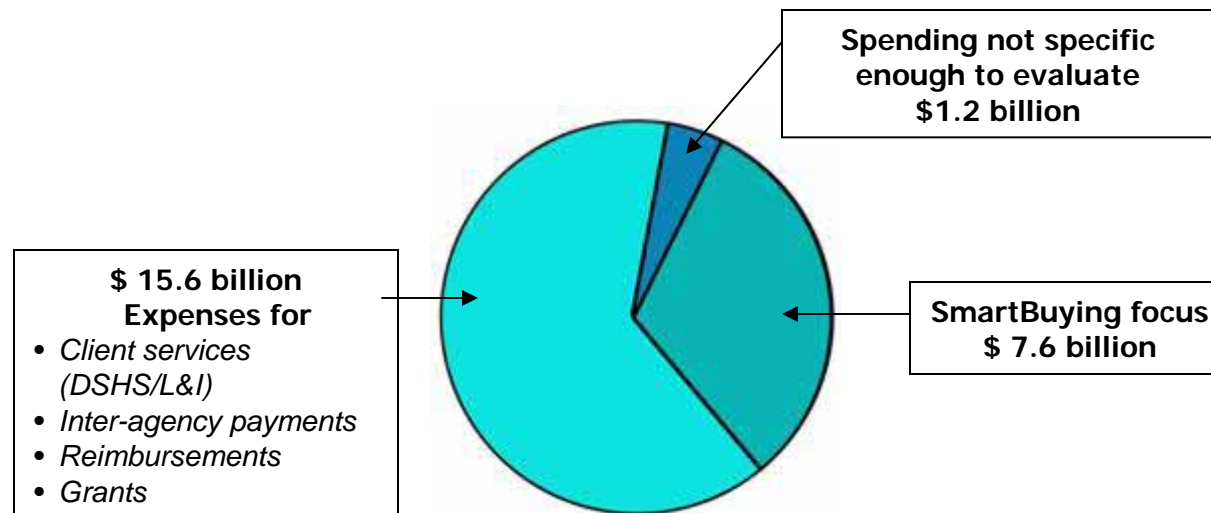
**Highest Return
Opportunities**
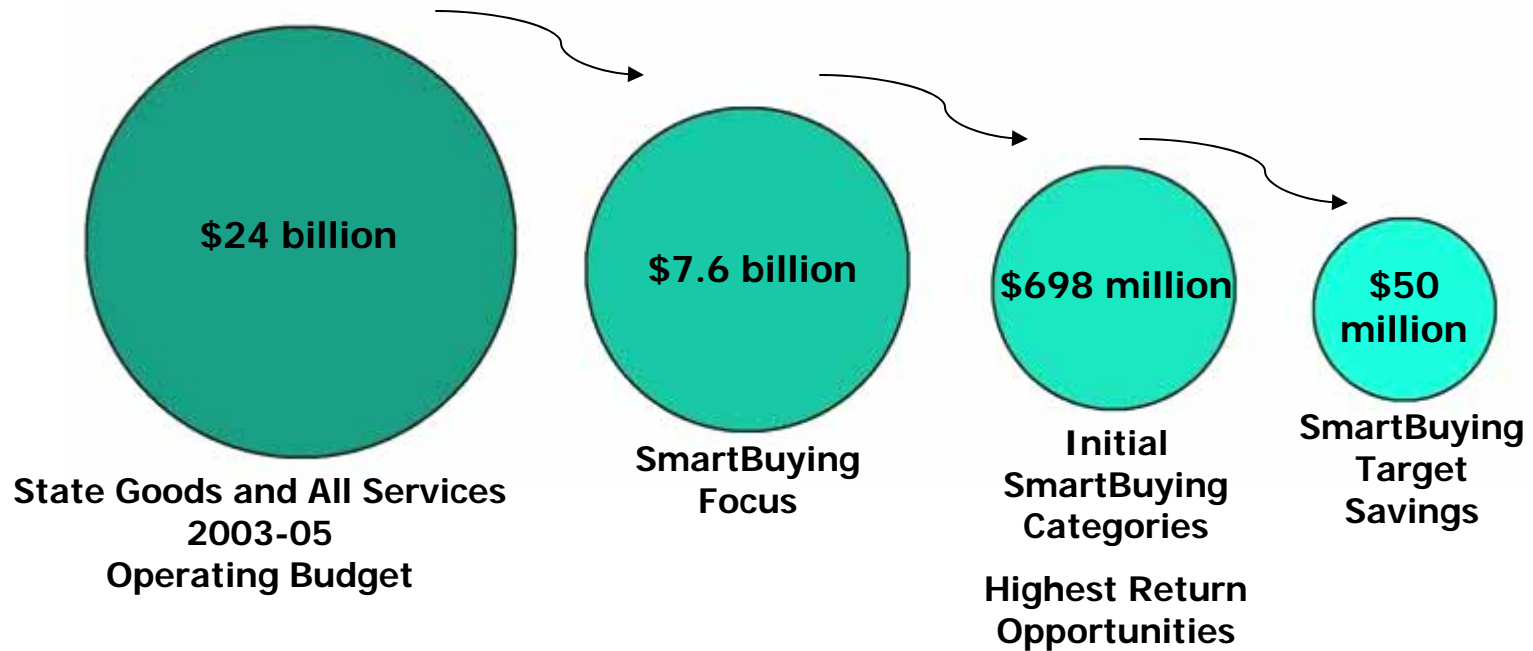
**SmartBuying
Target
Savings**

State Goods and All Services
$24 Billion in 2003-05 Biennium

SmartBuying focus is $7.6 billion of the $24 billion

Spending not specific enough to evaluate $1.2 billion

$ 15.6 billion Expenses for
- *Client services (DSHS/L&I)*
- *Inter-agency payments*
- *Reimbursements*
- *Grants*

SmartBuying focus $ 7.6 billion

Source: FY04 data biennialized; 14 agency account payable systems incorporated from 130,000+ vendors, over 4 million transactions

How were the categories selected?

Highest Return Opportunities

Primary Selection Criteria

- Savings experience by peer states in category

- Good spending data available to facilitate detailed review of spending

- Cross-agency leverage

- Positive results from preliminary shared best practices and market analysis
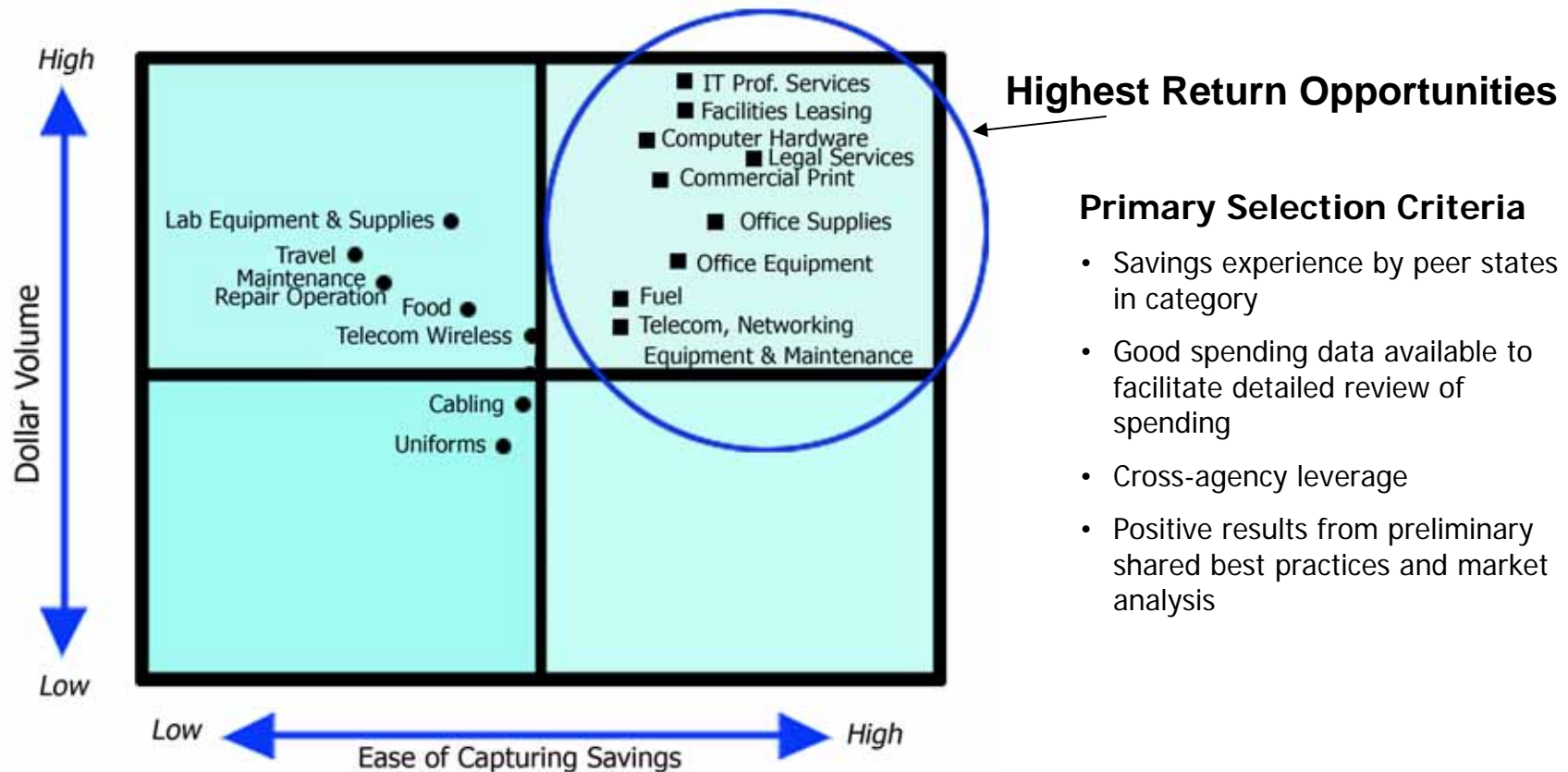
What are the initial SmartBuying categories?

$7.6 billion SmartBuying Focus

$698 million Initial Categories
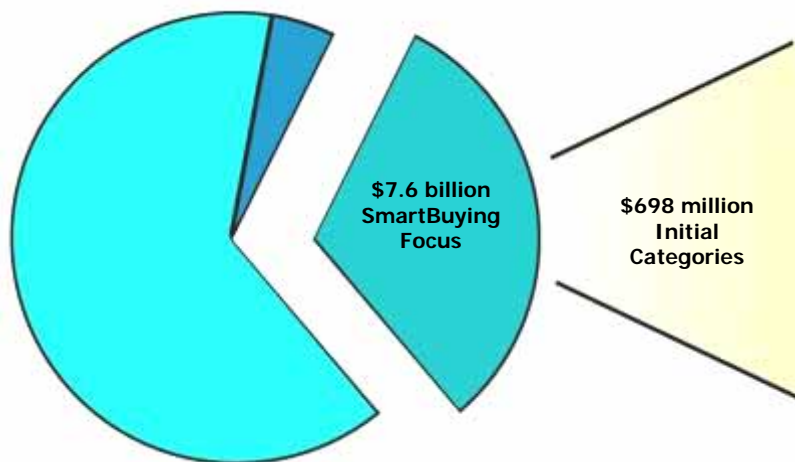
Category	2003-05 Biennial spending
Information Technology Professional Services	$172 million
Facilities leasing	$64 million
Information Technology -- Software/Equipment	$168 million
Commercial Print	$68 million
Fuel	$52 million
Office and Paper Supplies	$57 million
Office Equipment	$50 million
Telecommunications	$67 million
Total	**$698 million**